

BUDGET REPORT OF THE MUNICIPALITY

Budget Report **2016-2017**

uMfolozi Local Municipality

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Glossary

Adjustments Budget – Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.

Allocations – Money received from Provincial or National Government or other municipalities.

AFS- Annual Financial Statements

Assessment Rates - Local Government tax based on the assessed value of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.

Budget – The financial plan of the Municipality.

Budget Related Policy – Policy of a municipality affecting or affected by the budget, examples include tariff policy, rates policy and credit control policy.

Capital Expenditure - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's Statement of Financial Performance.

CRR – Capital Replacement Reserve. A cash reserve set aside for future capital expenditure.

Cash Flow Statement – A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period.

CFO - Chief Financial Officer

DORA – Division of Revenue Act. Annual legislation that shows the total allocations made by National to Provincial and local government.

Equitable Share – A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

EPWP – Expanded Public works Programme.

FEC – Financial and Fiscal Commission.

Fruitless and wasteful expenditure – Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

GIS – Geographic Information System.

GFS – Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

GGP – Gross Geographic Product

GRAP – Generally Recognised Accounting Practice. The new standard for municipal accounting and basis upon which AFS are prepared.

IDP – Integrated Development Plan. The main strategic planning document of the Municipality

ISDF – Integrated Strategic Development Framework - The 20 year framework linking technical, financial and economic planning.

KPI's – Key Performance Indicators. Measures of service output and/or outcome.

MEC – Minister in Executive Committee (Province).

MFMA – The Municipal Finance Management Act – No. 53 of 2003. The principle piece of legislation relating to municipal financial management.

MTREF – Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous three years and current years' financial position.

MPAC – Municipal Public Accounts Committee.

MSAC – Municipal Service Accessibility Charge. The municipal charge levied on the basic government electricity charge for municipal services available to the household.

NERSA – National Electricity Regulator of South Africa.

NT – National Treasury.

Net Assets – Net assets are the residual interest in the assets of the entity after deducting all its liabilities. This means the net assets of the municipality equates to the "net wealth" of the municipality, after all assets were sold/recovered and all liabilities paid. Transactions which do not meet the definition of Revenue or Expenses, such as increases in values of Property, Plant and Equipment where there is no inflow or outflow of resources are accounted for in Net Assets.

Operating Expenditure – Spending on the day to day expenses of the Municipality such as salaries and wages.

R&M – Repairs and maintenance on property, plant and equipment.

SDBIP – Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

Strategic Objectives – The main priorities of the Municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.

SCM – Supply Chain Management.

Unauthorised expenditure – Generally, is spending without, or in excess of, an approved budget.

Virement – A transfer of budget.

Virement Policy - The policy that sets out the rules for budget transfers. Virements are normally allowed within a vote. Transfers between votes must be agreed by Council through an Adjustments Budget.

Vote – One of the main segments into which a budget is divided. In uMfolozi Municipality this means at directorate level

PART 1 – ANNUAL BUDGET

Section 1 – Mayor’s Budget Speech

The Mayors report will be included once the Honourable Mayor has presented his 2016/17 Final budget Speech before Council on Tuesday, 29 March 2016.

BUDGET SPEECH BY CLLR S.W. MGENCE THE MAYOR OF uMFOLOZI LOCAL MUNICIPALITY

GOOD AFTERNOON TO THE HONOURABLE SPEAKER CLLR MFUSI, HONOURABLE DEPUTY MAYOR CLLR NTSHANGASE, HONOURABLE CLLRS, HONOURABLE MEMBERS OF EXCO AND COUNCIL, SENIOR OFFICIALS, MEMBERS OF STAFF AND OFFICIALS AND MEMBERS OF THE MEDIA PRESENT TODAY I HUMBLY GREET YOU. I would like to take this opportunity to salute AMAKHOSI under the jurisdiction of our operations as uMfolozi Municipality, INKOSI UMTHIYANE, INKOSI UMTHETHWA, INKOSI UMBONAMBI NGIYAZITHOBA EMAKHOSINI.

This day marks 1763rd day of us in the office as this administration of the municipality which means 5 years in office, we are ending our 5 years in office as we come to the end of May 2016 in this office. We are left with 62 days of our last year in office. We were committed to good governance as we are all aware that the audit outcomes of thee term in can be taken as portfolio of evidence.

A lot has happened ever since we came to this municipality, away from us, close to us, next to us, behind us, in front of us and even with us. This can be referred to as a shared experience. I would like to take this opportunity to thank this council led by honourable Mfusi for the work we have done together, I would also like to take this opportunity to thank the officials and staff led by municipal manager Mr Gamede as we all aware this is our last Draft Budget we are presenting to council.

Some important issues for noting

When we came to this municipality there was a cash flow problem.

We have never had Director technical services in this municipality for a period exceeding 12 months.

Staff retention is still a problem.

We are experiencing the worst drought ever.

ON DRAFT BUDGET PRESENTATION

The Municipal Finance Management Act, 2003, (MFMA) Section 16(2), requires that the mayor of the municipality table the annual budget at the Council meeting at least 90 days before the start of the budget year. The Draft budget 2016/2017 multi-year budget is scheduled to serve before the Council structures

- Finance Portfolio
- Executive Committee
- Council

In addition the Municipal Budget and Reporting Regulations, Gazette no. 32141 dated 17 April 2009, issued by The National Treasury, provides the general guidance on the content and format for the municipal budget documentation while MFMA circulars 78 and 79 issued in December 2015 and March 2016 respectively, are both providing further guidance to municipalities on presentations of their 2016/17 Budgets and Medium Term Revenue and Expenditure Framework.

ONE IMPORTANT POINT OUT OTHER POINTS IN THE MFMA CIRCULARS NUMBER 78 AND 79

- Local government elections and the budget process 2016 – with emphasis on CMC

INCREASES ON THE BUDGET

- We have noted increases on all budgetary items and the grants except on integrated national electrification programme (INEG) where there is a decrease of R1 million and disaster fund where a decrease of 50% is.
- SUMMARY OF THE ALLOCATIONS(PLEASE SEE THE BUDGET DOCUMENT)

BUDGETARY ITEMS WITH DIRECT IMPACT TO OUR COMMUNITIES (see the budgetary items document)

ALLOW ME TO TAKE SOME WISE WORDS FROM INSPIRATIONAL PEOPLE

“Living a life of integrity is one of the greatest missions we can undertake” by GREG ANDERSON.

“YESTERDAY IS HISTORY, TOMMORROW IS MYSTERY, TODAY IS GOD S GIFT, THAT’S WHY WE CALL IT THE PRESENT “BY JOAN RIVERS

THANK YOU

Section 2 – Budget Related Resolutions

uMfolozi Local Municipality

Final Budget 2016/17

The resolutions approved by Council with the final adoption of the budget in May will be:

RESOLVED:

[a]. That the annual budget of uMfolozi Local Municipality for the financial year 2016/17; and indicative for the two projected years 2017/18 and 2018/19, as set-out in the schedules contained in Section 4, be approved:

- 1.1 Table A2: Budgeted Financial Performance (expenditure by standard classification R175,000,000)
 - 1.2 Table A3: Budgeted Financial Performance (expenditure by municipal vote R 175,000,000)
 - 1.3 Table A4: Budgeted Financial Performance (revenue by source R175, 000, 000 including capital transfers and contributions)
 - 1.4 Table A5: Budgeted Capital Expenditure for both multi-year and single year by vote, standard classification and funding (R97,795,000)
 - 1.5 The Draft Budget for 2016/17 to 2018/19 be approved
 - 1.6 The A1-A10 schedules be approved.
 - 1.7 The supporting schedules S1-S37 be approved
 - 1.8 The 2015/16 tariffs be approved
 - 1.9 The Accounting officer or his delegate signs the quality certificate
- [b]. Property rates reflected in Annexure 3 and any other municipal tax reflected in Annexure 3 are imposed for the budget year 2016/17.
- [c]. Tariffs and charges reflected in Annexure 3 are approved for the budget year 2016/17.
- [d]. Council notes the amended Integrated Development Plan adopted on 30 May 2015 reflected as summarised in Section 6.
- [e]. The measurable performance objectives reflected in Section 7 are approved for the budget year 2016/17.
- [f]. The measurable performance objectives for each vote introduced in Section 15 and detailed in Annexure 8: 'Service Delivery and Budget Implementation Plan' are noted for the budget year 2016/17.

Section 3 – Executive Summary

Introduction

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities. The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process.

Given the constraints on the revenue side tough decisions have had to be made which impacted improvement of service delivery. However the economic downturn has severely affected businesses and the residents of our area. We have therefore had to strategize and cut costs to channel our limited resources to where they are most needed.

This budget continues to address the challenges the uMfolozi communities is facing. The budget therefore follows a conservative approach to rates and tariffs.

The new budget for uMfolozi Local Municipality amounts to R175 million in 2016/17, being R62, 049,000 for capital and R112, 951,000 for operating. The budget approved for 2015/16 was R165, 000,000 respectively being R101, 742,681 for operational and R63, 257,319 for capital; this new budget represents an increase of 6% from the 2015/16 approved budget.

Consolidated Overview of the 2016/17 MTREF

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 medium term revenue & expenditure framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1										
Total Revenue (excluding capital transfers and contributions)		53 639	73 580	104 938	131 681	114 618	114 618	114 618	142 951	133 227	130 878
Total Expenditure		51 538	71 855	94 466	101 743	101 743	101 743	101 743	112 952	119 727	122 478
Surplus/(Deficit)		2 101	1 725	10 472	29 938	12 875	12 875	12 875	29 999	13 500	8 400
Transfers recognised - capital		9 559	25 140	37 617	33 382	39 537	39 537	39 537	32 049	36 773	39 122
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		11 660	26 865	46 088	63 257	52 412	52 412	52 412	62 048	50 273	47 522
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		11 660	26 864	46 088	63 257	52 412	52 412	54 412	62 048	50 273	47 522

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, Gazette 32141, issued 17 April 2009, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from service charges forms a minimal percentage of the internally generated funds of the Municipality, that being the interest on investments and service charges.

To ensure the accuracy and relevance of the financial planning phase, an evaluation was undertaken by the Finance department to closely examine the current financial standing of uMfolozi

Municipality and to ensure that this MTREF is economically and therefore financially sustainable from a practical perspective rather than the theoretical approach.

Often it is not the figures per se which are important but the analysis and background understanding of the figures and the trends shown within the local context that actually matter. It is this that determines local policy setting and implementation. There is no one size fits all in local government.

Despite the on-going economic concerns, uMfolozi Local Municipality continues to grow but so do the demands of all its residents. What is coming through profoundly in recent years is that more and more demands for services are coming from those areas where services and service standards were historically poor in comparison to more advantaged and well established areas. This is exactly why the constitutional mandate of local government places the emphasis on basic services and is the current and future reality of uMfolozi Municipality and of every other local authority in South Africa, however it also has to be clearly recognised by all that the established areas of uMfolozi Local Municipality have taken, in some instances, many years and millions of rands to reach their current mature service levels.

Background

uMfolozi local Municipality is one of six municipalities within the uThungulu District. The N2 national road passes through the Municipality which connects it to major towns such as Richards Bay and Durban. The significance of this road to the Municipality is that it serves as the major economic corridor in the area.

The municipality has an estimated population size of 122 889 of which 51.9% are women. The average population density is estimated at 88 people per km². The Municipality is adjacent to Richards Bay and Empangeni Complex. Its borders are: the Indian Ocean to the east; uMfolozi River to the north; Mhlana Tribal Authority to west and UMhlathuze Municipality to the south. It is characterized by three geographical districts portions which are: coastal: Sokhulu-uMfolozi Traditional Authorities; Commercial Plantations along the N2 and Mhlana Traditional Authority to the west.

The uMfolozi Municipal Area comprises a long flat coastal plain rising gently from the coast towards the west where it reaches a height of approximately 200 mass (metres above mean sea-level), the highest point being KwaMendo in the west at 381 mast.

The coastal plain is interspersed by high dunes and is further characterized by a number of short perennial rivers that originate within the area and either drain northwards towards the UMfolozi River or towards the coastal lakes in the vicinity of Richards Bay to the south. Two coastal lakes lie within the area, Lake Nhlabane on the coast and Lake Eteza towards the north.

uMfolozi Municipality is home to the poorest of the poor, which is evident in the average annual household income which is R4, 800 to R9, 600 (compared to an average annual household income of R19, 200 to R38, 400 in the EThekweni Metro).

- The population settlement trend is that people are generally settled in Traditional Authority areas.
- The incidence of Absentee Household members (according to the UDM QOLS 2009) in uMfolozi is 22, 26% which is higher than the uThungulu District average of 17%. This is indicative of people

temporarily leaving the uMfolozi Municipal area for employment purposes. uMfolozi has a very youthful population, accounting for 48.4% or 58,671 persons.

- This has an implication in terms of types of services that might be needed to cater for this age group which impacts on the Municipal budgeting thereof.
- There has been a significant increase in the number of pensioner headed households since 2007 from 32.43% to 46.84%. Some reasons for this trend could be (1) parents working elsewhere, (2) deceased parents (3) the traditional culture of extended families as well as the (4) effects of migrant labour. In 2001, 30% of the total adult population in the Municipality had no formal education. This percentage has decreased to 24% in 2010.
- The incidence of HIV/Aids seems to have stabilized, this is in line with the notion that the disease is reaching maturity. The incidence of HIV/Aids reached its highest level in 2004, where after a decrease is observed. This could also be the result of the positive impact that the distribution of anti-retroviral medication had in the Municipal Area.

The table below indicates the projected revenues of the municipality for the MTREF period under review.

KZN281 Mfolozi - Table A4 Budgeted Financial Performance (revenue and expenditure)

Report 100002 - Table A: Budgeted Financial Performance (Revenue and Expenditure)											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1										
Revenue By Source											
Property rates	2	5 230	6 012	6 490	5 368	5 368	5 368	5 368	5 663	5 975	6 031
Property rates - penalties & collection charges					134	134	134	134	142	149	158
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	240	264	279	313	313	313	313	320	331	352
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		82	76	111	117	117	117	117	220	274	132
Interest earned - external investments		623	996	1 560	463	463	463	463	700	538	1 289
Interest earned - outstanding debtors											
Dividends received											
Fines		13	402	10 050	500	500	500	500	500	1 000	1 000
Licences and permits		335	356	726	-				370	401	401
Agency services											
Transfers recognised - operational		46 496	63 719	84 975	98 402	98 403	98 402	98 402	132 714	111 352	118 793
Other revenue	2	620	1 754	747	26 320	9 320	9 320	9 320	2 323	13 207	2 723
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		53 639	73 580	104 938	131 618	114 618	114 618	114 618	142 951	133 227	130 878
Expenditure By Type											
Employee related costs	2	17 511	21 555	23 467	31 596	29 461	29 461	29 461	38 188	44 581	46 671
Remuneration of councillors		6 499	7 298	7 919	7 772	7 839	7 839	7 839	8 890	9 859	10 401
Debt impairment	3										
Depreciation & asset impairment	2	3 413	5 742	4 632	1 750	1 750	1 750	1 750	2 270	2 000	1 850
Finance charges		66	177	310	-	-	-	-	-	-	-
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8	3 072	2 471								
Contracted services		860	967	2 178	3 800	4 150	4 150	4 150	3 850	4 000	4 500
Transfers and grants		-	4 312	5 810	450	675	675	675	510	510	510
Other expenditure	4, 5	20 117	29 334	52 094	56 375	57 868	57 868	57 868	59 243	58 777	58 546
Loss on disposal of PPE				50							
Total Expenditure		51 538	71 855	96 466	101 743	101 743	101 743	101 743	112 952	119 727	122 478
Surplus/(Deficit)											
Transfers recognised - capital	6	2 101	1 724	8 472	29 875	12 875	12 875	12 875	30 000	13 500	8 400
Contributions recognised - capital		9 559	25 140	37 617	33 382	39 537	39 537	39 537	32 049	36 773	39 122
Contributed assets		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		11 660	26 864	46 088	63 257	52 412	52 412	52 412	62 049	50 273	47 522
Taxation											
Surplus/(Deficit) after taxation		11 660	26 864	46 088	63 257	52 412	52 412	52 412	62 049	50 273	47 522
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		11 660	26 864	46 088	63 257	52 412	52 412	52 412	62 049	50 273	47 522
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		11 660	26 864	46 088	63 257	52 412	52 412	52 412	62 049	50 273	47 522

Tariff-setting is a very important and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the municipality. The proposed tariffs were discussed at length in the Budget Steering Committee meeting and a consensus was reached to increase the tariffs in such a way that it will have a minimal impact on the citizens. National Treasury, in its MFMA Circulars 78 and 79 issued in December 2015 and March 2016 respectively, continues to encourage municipalities to keep increases in tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 % upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment which will in turn result in a huge debtor's book.

The Equitable Share

In the 2016/17 financial year, an amount of R98, 724,000. A portion of the equitable share of the municipality is being used to fund ad-hoc capital projects in the rural areas so that basic services can be provided to indigent communities.

Credit Control and Debt Collection

As per the adoption of the revenue enhancement strategy, there was a moratorium on full implementation of the credit control activities to allow the data cleansing process. Incentives to encourage debtors to settle their accounts were introduced. Through the initiatives the data cleansing was improved. It has been a year where better understanding of each debtor was a turnaround achievement. We are now looking forward to swiftly implement credit controls to reduce the debt level.

Billing

The section has been able through the successful utilisation of financial system to produce reporting information that has improved the presentation of deep seated problems of debtors thus enabling the focused decision by authorities. Data cleansing had been the main focus that will support the fight against non-payment of services.

Auditor-General

uMfolozi Local Municipality has now attained four unqualified audit reports four years in a row. We have not yet achieved a “clean” audit.

Notwithstanding this, uMfolozi Local Municipality has embraced the concept of “clean” governance and we will endeavour to attain a clean audit. A lot depends upon the capacitating the staff within the Finance Directorate and ultimately the decentralisation to and acceptance of financial responsibility by the various Council departments in their own right.

Compliance and clean audits require competent and quality staff at middle management. The Finance Directorate requires staff who are IT and financially multi-skilled.

Budget Summary

Most of the basic information surrounding this year’s budget is set out in ‘Table A1: Budget Summary’ shown in Section 4 of this document.

The anticipated final outcome of the current 2016/17 budget is that Council will end with no surplus neither a deficit.

The operational budget for 2016/17 projects R112, 951,000 operating revenue and R142,951,000 The operating expenditure, R32, 049,000 of capital transfers and no surplus. Capital expenditure is budgeted at R62, 049,000

The capital expenditure emphasis for 2016/17 remains on infrastructure of the R24,049,000 allocated for MIG projects in 2016/17, some R17 million is being earmarked for softer services such as Multi-Purpose Centres and the Thusong Services Centre. Expenditure on “heavy” infrastructures has previously been at the expense of our social and community backlogs. We would dearly like to change this approach to capital expenditures are inordinately expensive to fund and more importantly maintain each year, however the continued influx from the KZN and from across our borders is rapidly proving to be beyond our affordability.

New areas not previously within our IDP horizons are mushrooming and it is impossible for a local authority such as uMfolozi, with all our attendant financial constraints, with topography and natural environment that is too inefficient to properly consider economies of scale, to even contemplate providing additional basic services. The slight shift in MIG to social backlogs is therefore welcomed.

The municipality fully supports the very welcome movement by the Local Government to review its Housing funding strategy which will now enable uMfolozi to use more of the Housing grant for infrastructure rather than top structure purposes.

To-date uMfolozi has picked up the cost of the infrastructure associated with housing and this has created serious financial and service capacity concerns. However one area of concern is the recent statement by the Housing MEC that low cost houses transferred by a local authority should immediately be made available for re-sale by the resident. This raises potential legal issues regarding asset transfer and ownership.

The main challenges for the Municipality as per the situational analysis as per IDP relate to lack and or poor infrastructure services i.e. Roads, socio-economic spatial and housing issues as well as the issues around social facilities and services. The capital expenditure emphasis for 2016/17 remains on the above mentioned issues. Expenditure on “heavy” infrastructures has previously been at the expense of our social and community backlogs.

Financial position and MTREF strategy

The financial position of uMfolozi Local Municipality is set out in ‘Table A6: Budgeted Financial Position’. It is projected that Council at the end of the 2016/17 financial year will close with an accumulated surplus.

Budget Circular No. 78 issued by National Treasury for the financial year 2015/16 makes mention however of the fact that municipality’s should look to having a cash reserve of three months. Whilst this sounds very good in theory the reality is that to achieve this uMfolozi will essentially have to remove some of its expenditure from the expenditure budget, or increase rates and tariffs by the same amount over the next 3 to 5 years.

Cash Flow

For a number of years ratios have shown that uMfolozi is one of the highly geared municipality’s in South Africa.

Capital Budget

The capital budget for 2016/17 will total R62, 049,000 of which R32, 049,000 is funded from National, Provincial grants, R13,000,000 and R17,000,000 from internally generated funds and

borrowings respectively, which include unspent borrowings. Council is continuing the process begun last year of rebuilding and up-grading municipal buildings and assets including sports fields, libraries and halls.

An amount of R17, 000,000 has been placed on the budget for the building and construction of the Thusong Centre. All the above figures exclude VAT. The recent success of the ward project system in conjunction with Councillors and Ward committees has prompted Council to repeat the exercise. National Treasury insists that all the projects must be identified and specified in the budget if they are of a capital nature. The final projects and programmes will be included in the approved municipal budget and performance against the budget will be reviewed quarterly.

National Treasury has also indicated that a minimum of 40% of the capital budget should be for renewal as opposed to new infrastructure. The forthcoming budget indicates that renewal expenditure will amount to 0.01% (R9million) of total capital expenditure. However, the following projects that are linked to form part of new assets are funded from government grants and total R32, 049,000. This means that the renewal of existing assets makes up 0.01% of the capital budget. What this indicates is that the infrastructure demands being placed upon the municipality are reaching an unhealthy point. We are spending more money simply in growing the municipality and also forgetting the importance of maintaining and sustaining the existing infrastructure. This further reinforces the need to review and reduce expenditure on issues that are not our functions or are not basic services.

Capital Expenditure Going Forward

The Council budget has now reached sufficient size that section 19 of the MFMA (Approval of Council Projects) read with Section 13 of the Municipal Budgets and Reporting Regulations (MBRR) become critical going forward.

Read together they mean that any project where the total projected cost will exceed R50 million must be individually prior approved by Council and all future financial implications of the project, including the impacts on future assessment rates and/or tariffs, must be made known in advance.

The reason for ensuring the full implications are known is obviously sustainability but it also reinforces the reasoning behind national government increasing the equitable share and also for the proposal that 40% of the increase above CPI be channelled directly to repairs and maintenance and Councils.

Economic Development

There has been budgeted as a once-off in the Planning and Development Directorate to finalise the ISDF. This is, has said previously, the core Framework upon which Housing, Technical Services, Economic and Financial Planning will in future be based, as well as grounding future IDPs in a long term reality.

Council is also looking to bring greater clarity to the role the Expanded Public Works Programme (EPWP) can play in the municipality with its emphasis in job creation. The EPWP will be managed in the Economic Development Department but as with all externally funded programmes, reported on financially via the Finance Directorate. This ensures that there is no disjuncture in reporting to external funding providers and also ensures Council will not have audit issues in relation to accounting for grant expenditures.

Operating Expenditure

MFMA Circular No. 66 has also highlighted the following examples of non-priority expenditures that should be eliminated:

- i. excessive sponsorship of music festivals, sporting events, including the purchase of tickets to events for councillors and/or officials;
- ii. Public relations projects and activities that are not centred on actual service delivery or are not a municipal function (e.g. celebrations; gala dinners; commemorations, advertising and voter education);
- iii. LED projects that serve the narrow interests of only a small number of beneficiaries or fall dates of other government departments such as the Department of Agriculture;
- iv. Excessive catering for meetings and other events, including the use of public funds to buy alcoholic beverages;
- v. Arranging workshops and events at expensive private venues, especially ones outside the municipality (as opposed to using the municipality's own venues);
- vi. Excessive printing costs (instead of maximising the use of the municipality's website, including providing facilities for the public to access the website);
- vii. Excessive luxurious office accommodation and office furnishing.

Operating Revenue

As can be seen from the above table, uMfolozi already has the fourth highest service charges in total per capital highlighting the concern to manage revenues.

Local government is in essence funded from three sources. Assessment rates, revenues from services and transfers from national government.

Tariff Implications of the Annual Budget

Refuse Tariff

The refuse tariff will be increased by 5.5% for both domestic and business consumers. It should be remembered that 50% of the refuse charge for domestic consumers is already contained in the assessment rate payable.

Assessment Rates

The increase in the rate in the rand will be 2% for domestic properties and for non-domestic properties. A new rate in the rand will be brought in for minor accommodation establishments as defined in Council's rating policy. The minor accommodation rate will be managed in future years in conjunction with the phasing out of the domestic rebate mentioned below. The rate in the rand for

these establishments from 1 July 2016 will be set at 4% above the current rate in the rand for domestic properties.

Assessment Rate Rebates

The rebate currently applied to domestic owners will remain the same (50%). This is in line with National Government view that rebates should only apply in particular circumstances. It is the intention to completely phase out the domestic rebate over the next three budgets.

There will be an increase in the first value of property exempted from rates from R65,000 to R100,000.

The current Rural Rebate of 30% will be reduced to 25%. This must also be phased out. Assessment rates are a tax on property value. They are not for services rendered or not rendered by a municipality. There is therefore no justification in maintaining a two tier rebate system indefinitely.

The Rural Rebate will therefore be reduced by a minimum of 5% per annum until fully phased-out. The current pensioner rebates will remain the same. They were significantly increased in recent years and the top level is well above the norm.

The criteria for the rebate will include:

- a) The nature area must be no less than 25 ha.
- b) The nature area must be (preferably) a separate registered cadastral unit or, at the least, must have a servitude registered over it if it remains part of a larger unit.
- c) There must be a title deed condition or a condition in the deed of servitude that requires that the nature area cannot be developed for a period of at least 50 years.
- d) The nature area must be a registered nature reserve or must be recognised as part of a formally registered conservancy.
- e) There must be an environmental management plan formally endorsed by a statutory conservation agency covering the nature area.
- f) The environmental management plan must provide for a formal audit of the management of the nature area at least once every five years. The rebate will only be applicable if these audits are up to date and confirm strict compliance with the environmental management plan.
- g) The area covered by the all the residential properties for which the rebate is claimed, together with the associated residential infrastructure may be no more than 25% of the area of whole property (the nature area, residential properties and area covered by residential infrastructure combined).

The onus is on the property owner claiming the rebate to show that all the criteria have been met and costs associated with the meeting of the criteria are for the account of the property owner.

No change is proposed to the Heritage Rebate.

No change is proposed to the New Business Rebate

National, Provincial & District priorities

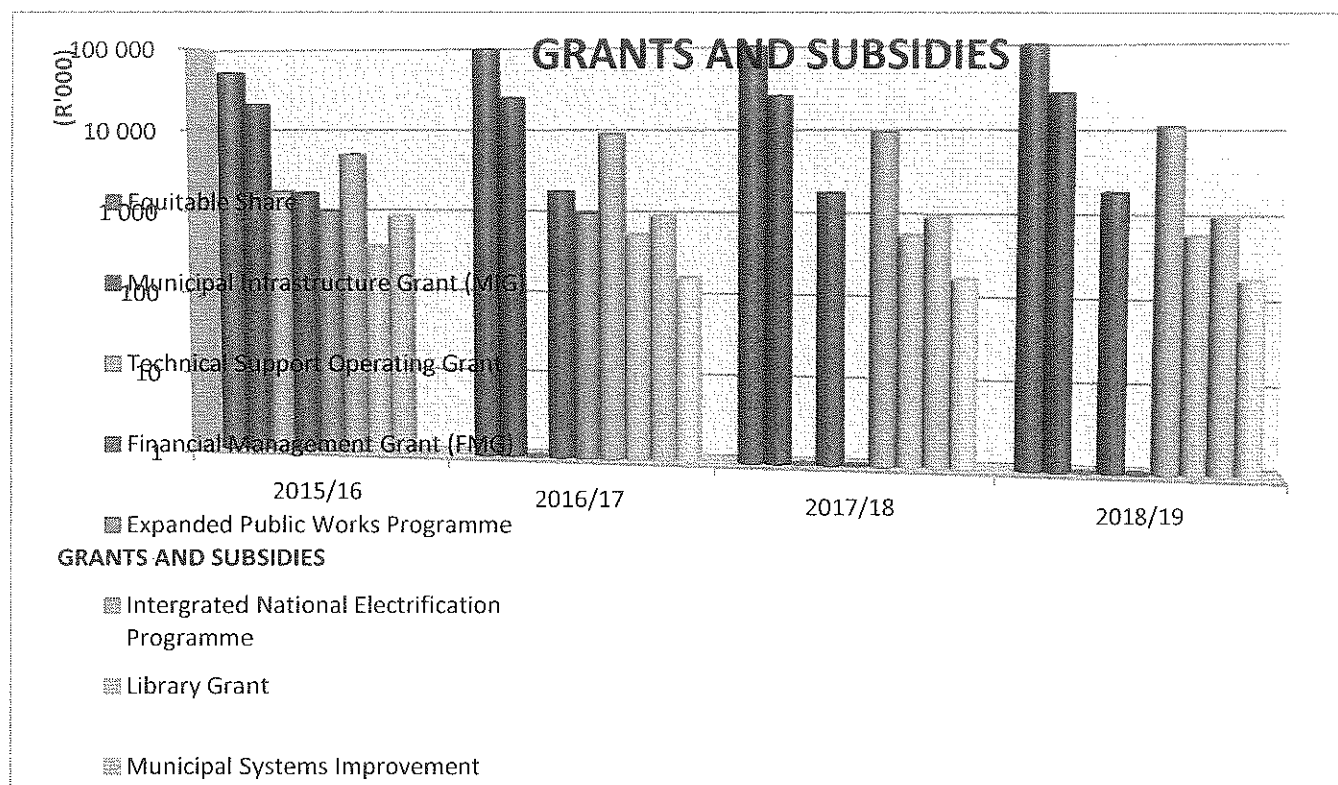
The National, Provincial and District Context

The Municipality's budget must always be seen within the context of the policies and financial priorities of National and Provincial government. All spheres of Government are partners in meeting the service delivery challenges we face in UMfolozi and the municipality cannot meet these challenges alone. South Africa has achieved considerable success in reaching the current level of macroeconomic stability notwithstanding the current world economic situation, but our own local economy is still plagued with high levels of unemployment and poverty.

The following table shows the allocations to uMfolozi Local Municipality as set out in the National Division of Revenue Bill of 2016 in the MTEF period;

National Government

		Medium Term Estimates		
Grants R'000	2015/16	2016/17	2017/18	2018/19
Equitable Share	93 949	98 724	107 868	114 489
Municipal Infrastructure Grant (MIG)	24 382	24 049	26 773	28 122
Technical Support Operating Grant	-	-		
Financial Management Grant (FMG)	1 800	1 825	1 900	1 900
Expanded Public Works Programme	1 000	1 649	-	-
Intergrated National Electrification Programme	9 000	8 000	10 000	11 000
Library Grant	533	1 059	1 101	1 145
Municipal Systems Improvement Grants (MSIG)	930	-	-	-
Community Library Services Grant		358	376	395
Total	131 764	135 664	148 018	157 051



Conclusion

The 2016/17 budget for uMfolozi Municipality is in line with the dictates of the National Treasury in that it is an austerity budget. UMfolozi remains a tourist venue and therefore closely subject to national economic conditions.

Explanatory notes to Budgeted Financial Position

1. Table below is consistent with international standards of good financial management practice, and improves understand ability for councillors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
3. The budgeted Community wealth or equity for the MTREF is R82,418,000, R99,504,000 and R99,294,000 for the 2016/17, 2017/18 and 2018/19 financial years respectively.
4. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash

equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

KZN281 Mfolozi - Table A6 Budgeted Financial Position

Description		Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
ASSETS												
Current assets												
Cash			846	156	3 188	1 774	1 774	1 774	1 774	1 891	1 891	1 891
Call investment deposits	1		—	—	—	6 300	6 300	6 300	6 300	6 716	6 000	9 000
Consumer debtors	1		4 070	6 568	8 295	—	—	—	—	9 258	9 000	855
Other debtors			1 702	2 164	3 957	4 240	4 240	4 240	4 240			
Current portion of long-term receivables												
Inventory	2											
Total current assets			6 618	8 888	15 440	12 314	12 314	12 314	12 314	17 865	16 891	11 746
Non current assets												
Long-term receivables												
Investments												
Investment property												
Investment in Associate												
Property, plant and equipment	3		72 344	95 545	140 957	85 762	85 762	85 762	85 762	91 423	92 423	97 968
Agricultural												
Biological												
Intangible			109	77	44	250	250	250	250	300	350	350
Other non-current assets												
Total non current assets			72 453	95 622	141 001	86 012	86 012	86 012	86 012	91 723	92 773	98 318
TOTAL ASSETS			79 071	104 510	156 442	98 326	98 326	98 326	98 326	109 588	109 664	110 064
LIABILITIES												
Current liabilities												
Bank overdraft	1											
Borrowing	4		882	1 020	1 702	—	—	—	—	—	—	—
Consumer deposits												
Trade and other payables	4		23 002	20 344	23 694	9 540	9 540	9 540	9 540	10 170	10 160	10 770
Provisions												
Total current liabilities			23 884	21 365	25 397	9 540	9 540	9 540	9 540	10 170	10 160	10 770
Non current liabilities												
Borrowing			616	1 550	3 361	17 000	(17 000)	—	—	17 000	—	—
Provisions			—	—	—	—	—	—	—	—	—	—
Total non current liabilities			616	1 550	3 361	17 000	(17 000)	—	—	17 000	—	—
TOTAL LIABILITIES			24 500	22 914	28 757	26 540	(7 460)	9 540	9 540	27 170	10 160	10 770
NET ASSETS			54 571	81 596	127 684	71 786	105 786	88 786	88 786	82 418	99 504	99 294
COMMUNITY WEALTH/EQUITY												
Accumulated Surplus/(Deficit)			54 571	81 596	127 684	71 786	105 786	88 786	88 786	82 418	99 504	99 294
Reserves	4		—	—	—	—	—	—	—	—	—	—
TOTAL COMMUNITY WEALTH/EQUITY			54 571	81 596	127 684	71 786	105 786	88 786	88 786	82 418	99 504	99 294

Cash Flow

For a number of years ratios have shown that uMfolozi is one of the low geared municipality's in South Africa.

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The budgeted cash/cash equivalents are R1, 891,000 each financial year (2016/17 to 2018/19).

KZN281 Mfolozi - Table A7 Budgeted Cash Flows

KZN281 Mbl021 - Table A7 Budgeted Cash Flows											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		4 032	5 939	4 786	5 502	5 502	5 502	5 502	5 805	6 124	6 189
Service charges					313	3 130	313	313	320	331	352
Other revenue		623	2 271	1 059	7 648	7 648	7 648	7 648	3 413	14 882	4 256
Government - operating	1	65 191	85 836	117 422	78 020	78 020	78 020	78 020	115 713	111 352	118 793
Government - capital	1				33 382	33 382	33 382	33 382	32 049	36 773	39 122
Interest		—	996	1 560	500	5 000	500	500	700	538	1 289
Dividends									—	—	—
Payments											
Suppliers and employees		(59 595)	(68 312)	(73 910)	(96 216)	(96 216)	(96 216)	(96 216)	(112 441)	(119 217)	(121 968)
Finance charges		(66)		(10)					—	—	—
Transfers and Grants	1				(450)	675	675	675	(510)	(510)	(510)
NET CASH FROM/(USED) OPERATING ACTIVITIES		10 186	26 730	50 907	28 700	37 141	29 825	29 825	45 049	50 273	47 522
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE				145					—	—	—
Decrease (increase) in non-current debtors									—	—	—
Decrease (increase) other non-current receivables									—	—	—
Decrease (increase) in non-current investments									—	—	—
Payments											
Capital assets		(9 540)	(29 089)	(50 213)	(44 082)	(27 082)	(27 082)	(27 082)	(62 049)	(50 273)	(47 522)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(9 540)	(29 089)	(50 068)	(44 082)	(27 082)	(27 082)	(27 082)	(62 049)	(50 273)	(47 522)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									—	—	—
Borrowing long term/refinancing			1 669	2 194	17 000	(17 000)	—	—	17 000	—	—
Increase (decrease) in consumer deposits									—	—	—
Payments											
Repayment of borrowing									—	—	—
NET CASH FROM/(USED) FINANCING ACTIVITIES		—	1 669	2 194	17 000	(17 000)	—	—	17 000	—	—
NET INCREASE/ (DECREASE) IN CASH HELD		646	(690)	3 033	1 618	(6 941)	2 743	2 743	(0)	—	0
Cash/cash equivalents at the year begin:	2	200	846	156	156	1 774	1 774	1 774	1 891	1 891	1 891
Cash/cash equivalents at the year end:	2	846	156	3 188	1 774	(5 167)	4 517	4 517	1 891	1 891	1 891

Section 4 – Annual Budget Tables

The intention of this Section is two-fold.

Firstly, the following tables form the basis of the Council resolution approving the annual budget for 2016/17:

- ☐ Table A2: Budgeted Financial Performance (expenditure by standard classification)
 - ☐ Table A3: Budgeted Financial Performance (expenditure by municipal vote)
 - ☐ Table A4: Budgeted Financial Performance (revenue by source)
 - ☐ Table A5: Budgeted Capital Expenditure for both multi-year and single year appropriations by vote, standard classification and funding
- Secondly, this section presents and explains the various tables that must be compiled as required by National Treasury.

Some of the tables are variations on a theme which will allow NT to put out macro statistics.

Whilst this is a good practice, it can become a tad repetitive at the micro or local level. It has therefore been decided to only comment on a table when there is something important or relevant to say.

Table A1 - Budget Summary

KZN281 Mfolozi - Table A1 Budget Summary

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousands										
Financial Performance										
Property rates	5 230	6 012	6 490	5 502	5 502	5 502	5 502	5 805	6 124	6 189
Service charges	240	264	279	313	313	313	313	320	331	352
Investment revenue	623	996	1 560	463	463	463	463	700	538	1 289
Transfers recognised - operational	46 496	63 719	84 975	98 402	98 403	98 402	98 402	132 714	111 352	118 793
Other own revenue	1 050	2 588	11 634	26 937	9 937	9 937	9 937	3 413	14 882	4 256
Total Revenue (excluding capital transfers and contributions)	53 639	73 580	104 938	131 618	114 618	114 618	114 618	142 951	133 227	130 878
Employee costs	17 511	21 555	23 467	31 596	29 461	29 461	29 461	38 188	44 581	46 671
Remuneration of councillors	6 499	7 298	7 919	7 772	7 839	7 839	7 839	8 890	9 859	10 401
Depreciation & asset impairment	3 413	5 742	4 632	1 750	1 750	1 750	1 750	2 270	2 000	1 850
Finance charges	86	177	310	-	-	-	-	-	-	-
Materials and bulk purchases	3 072	2 471	-	-	-	-	-	-	-	-
Transfers and grants	-	4 312	5 810	450	675	675	675	510	510	510
Other expenditure	20 977	30 301	54 328	60 175	62 018	62 018	62 018	63 093	62 777	63 046
Total Expenditure	51 538	71 855	96 456	101 743	101 743	101 743	101 743	112 952	119 727	122 478
Surplus/(Deficit)	2 101	1 724	8 472	29 875	12 875	12 875	12 875	30 000	13 500	8 400
Transfers recognised - capital	9 559	25 140	37 617	33 382	39 537	39 537	39 537	32 049	36 773	39 122
Contributions recognised - capital & contributed	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	11 660	26 864	46 088	63 257	52 412	52 412	52 412	62 049	50 273	47 522
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	11 660	26 864	46 088	63 257	52 412	52 412	52 412	62 049	50 273	47 522
Capital expenditure & funds sources										
Capital expenditure	9 559	25 140	37 617	63 257	52 412	52 412	52 412	62 049	50 273	47 522
Transfers recognised - capital	9 559	25 140	37 617	33 382	39 537	39 537	39 537	32 049	36 773	39 122
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	17 000	-	-	-	17 000	-	-
Internally generated funds	-	-	-	12 875	12 875	12 875	12 875	13 000	13 500	8 400
Total sources of capital funds	9 559	25 140	37 617	63 257	52 412	52 412	52 412	62 049	50 273	47 522
Financial position										
Total current assets	6 618	8 888	15 440	12 314	12 314	12 314	12 314	17 865	16 891	11 746
Total non current assets	72 453	95 622	141 001	86 012	86 012	86 012	86 012	91 723	92 773	98 318
Total current liabilities	23 884	21 365	25 397	9 540	9 540	9 540	9 540	10 170	10 160	10 770
Total non current liabilities	616	1 550	3 361	17 000	(17 000)	-	-	17 000	-	-
Community wealth/Equity	54 571	81 596	127 684	71 786	105 786	88 786	88 786	82 418	99 504	99 294
Cash flows										
Net cash from (used) operating	10 186	26 730	50 907	28 700	37 141	29 825	29 825	45 049	50 273	47 522
Net cash from (used) investing	(9 540)	(29 089)	(50 068)	(44 082)	(27 082)	(27 082)	(27 082)	(62 049)	(50 273)	(47 522)
Net cash from (used) financing	-	1 669	2 194	17 000	(17 000)	-	-	17 000	-	-
Cash/cash equivalents at the year end	846	156	3 188	1 774	(5 167)	4 517	4 517	1 891	1 891	1 891
Cash backing/surplus reconciliation										
Cash and investments available	846	156	3 188	8 074	8 074	8 074	8 074	8 607	7 891	10 891
Application of cash and investments	18 881	12 256	19 803	7 797	5 158	5 916	5 916	912	1 160	9 915
Balance - surplus (shortfall)	(18 035)	(12 101)	(16 615)	277	2 916	2 158	2 158	7 695	6 731	976
Asset management										
Asset register summary (WCV)	18 495	21 035	30 884	44 332	250	44 332	45 349	45 349	49 623	47 872
Depreciation & asset impairment	3 413	5 742	4 632	1 750	1 750	1 750	2 270	2 270	2 000	1 850
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	3 072	2 446	1 190	5 000	(300)	4 700	7 500	7 500	10 000	10 000
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

Total revenue before capital transfers and contributions will increase by 9% from last years' original budget and 9% from the final estimate.

Expenditure will have risen 9% on the same basis. Employee costs have risen by 23% on the 2015/16 adjustment budget figure. This includes an annual increase of 7.6% on basic remuneration however it also includes a freeze on the appointment of vacant posts in those Directorates with above increase staff budgets, until at least and until the Municipal Manager has begun the staffing review.

The repairs and maintenance budget for 2016/17 will increase by 82% on the adjusted budget figure for 2015/16.

Table A2 - Budgeted Financial Performance (by standard classification)

If people are not prepared to assist at a personal level then essentially we are looking at fruitless and wasteful expenditure going forward. Clean-ups are not municipal exercises in job creation.

KZN281 Mfolozi - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue - Standard										
<i>Governance and administration</i>		53 119	73 099	104 248	131 618	120 463	120 463	141 501	131 657	128 678
Executive and council		15 000	15 500	15 600	930	930	930	35 685	26 359	11 601
Budget and treasury office		38 119	57 599	88 648	130 688	119 533	119 533	105 816	105 298	117 077
Corporate services		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		520	480	690	33 382	39 537	39 537	1 450	1 570	2 200
Community and social services		-	-	-	33 382	39 537	39 537	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		520	480	690	-	-	-	1 450	1 570	2 200
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		9 559	25 140	37 616	-	-	-	32 049	36 773	39 122
Planning and development		-	-	-	-	-	-	-	-	-
Road transport		-	-	-	-	-	-	-	-	-
Environmental protection		9 559	25 140	37 616	-	-	-	32 049	36 773	39 122
<i>Trading services</i>		-	-	-	-	-	-	-	-	-
Electricity		-	-	-	-	-	-	-	-	-
Water		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	63 198	98 720	142 554	165 000	160 000	160 000	175 000	170 000	170 000
Expenditure - Standard										
<i>Governance and administration</i>		33 522	43 114	61 048	64 154	64 181	64 181	99 647	105 272	105 246
Executive and council		-	-	-	-	26 620	26 620	36 085	14 943	16 001
Budget and treasury office		24 515	28 742	43 338	45 360	18 781	18 781	56 082	82 369	80 680
Corporate services		9 007	14 372	17 710	18 794	18 780	18 780	7 480	7 960	8 565
<i>Community and public safety</i>		9 008	14 371	17 709	18 794	18 781	18 781	6 389	6 540	8 546
Community and social services		-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		9 008	14 371	17 709	18 794	18 781	18 781	6 389	6 540	8 546
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		9 008	14 371	17 709	18 794	24 626	24 626	6 915	7 915	8 686
Planning and development		-	-	-	-	-	-	-	-	-
Road transport		9 008	14 371	17 709	18 794	24 626	24 626	6 915	7 915	8 686
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	-	-	-	-	-	-
Electricity		-	-	-	-	-	-	-	-	-
Water		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	51 538	71 856	96 466	101 743	107 588	107 588	112 951	119 727	122 478
Surplus/(Deficit) for the year		11 660	26 864	46 088	63 257	52 412	52 412	62 049	50 273	47 522

Table A3 - Budgeted Financial Performance (revenue and Expenditure by municipal vote

KZN281 Mfolozi - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue by Vote	1									
Vote 1 - EXECUTIVE AND COUNCIL		15 000	15 500	15 600	930	930	930	35 685	26 359	11 601
Vote 2 - FINANCIAL SERVICES		38 119	57 599	88 648	130 688	119 533	119 533	105 816	105 298	117 077
Vote 3 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-
Vote 4 - COMMUNITY SERVICES		20	480	690	-	-	-	1 450	1 570	2 200
Vote 5 - TECHNICAL SERVICES		9 559	25 140	37 616	33 382	39 537	39 537	32 049	36 773	39 122
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	62 698	98 720	142 554	165 000	160 000	160 000	175 000	170 000	170 000
Expenditure by Vote to be appropriated	1									
Vote 1 - EXECUTIVE AND COUNCIL		15 507	14 371	25 628	26 566	26 620	26 620	36 085	14 943	16 001
Vote 2 - FINANCIAL SERVICES		9 008	14 371	17 709	18 794	18 781	18 781	56 082	82 369	80 680
Vote 3 - CORPORATE SERVICES		9 008	14 371	17 709	18 794	18 780	18 780	7 480	7 960	8 565
Vote 4 - COMMUNITY SERVICES		9 008	14 371	17 709	18 794	18 780	18 780	6 389	6 540	8 546
Vote 5 - TECHNICAL SERVICES		9 008	14 371	17 709	18 794	24 627	24 627	6 915	7 915	8 686
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	51 538	71 855	96 466	101 743	107 588	107 588	112 951	119 727	122 478
Surplus/(Deficit) for the year	2	11 160	26 864	46 088	63 257	52 412	52 412	62 049	50 273	47 522

The various points of note within this table are the following.

Revenue

- Vote 2 - Financial Services: The main increase is obviously as a result of the impact of the domestic rebate reduction and this can also be noted in the outer years.
- Vote 4 – Community Services: the impact of traffic fine revenues.
- Vote 5 – Technical Services: Main increase is as a result of the increased grant allocated by provincial government for the:

Expenditure

- Vote 5— Community Services: The clean- up and contract staff conversion.

Table A4 - Budgeted Financial Performance (revenue and expenditure)

KZN281 Mfolozi - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue By Source											
Property rates	2	5 230	6 012	6 490	5 368	5 368	5 368	5 368	5 663	5 975	6 031
Property rates - penalties & collection charges					134	134	134	134	142	149	158
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	240	264	279	313	313	313	313	320	331	352
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		82	76	111	117	117	117	117	220	274	132
Interest earned - external investments		623	996	1 560	463	463	463	463	700	538	1 289
Interest earned - outstanding debtors											
Dividends received											
Fines		13	402	10 050	500	500	500	500	500	1 000	1 000
Licences and permits		335	356	726	-	-	-	-	370	401	401
Agency services											
Transfers recognised - operational		46 496	63 719	84 975	98 402	98 403	98 402	98 402	132 714	111 352	118 793
Other revenue	2	620	1 754	747	26 320	9 320	9 320	9 320	2 323	13 207	2 723
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		53 639	73 580	104 938	131 618	114 618	114 618	114 618	142 951	133 227	130 878
Expenditure By Type											
Employee related costs	2	17 511	21 555	23 467	31 596	29 461	29 461	29 461	38 188	44 581	46 671
Remuneration of councillors		6 499	7 298	7 919	7 772	7 839	7 839	7 839	8 890	9 859	10 401
Debt impairment	3										
Depreciation & asset impairment	2	3 413	5 742	4 632	1 750	1 750	1 750	1 750	2 270	2 000	1 850
Finance charges		66	177	310	-	-	-	-	-	-	-
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8	3 072	2 471								
Contracted services		860	967	2 178	3 800	4 150	4 150	4 150	3 850	4 000	4 500
Transfers and grants		-	4 312	5 810	450	675	675	675	510	510	510
Other expenditure	4, 5	20 117	29 334	52 094	56 375	57 868	57 868	57 868	59 243	58 777	58 546
Loss on disposal of PPE				56							
Total Expenditure		51 538	71 855	96 466	101 743	101 743	101 743	101 743	112 952	119 727	122 478
Surplus/(Deficit)		2 101	1 724	8 472	29 875	12 875	12 875	12 875	30 000	13 500	8 400
Transfers recognised - capital		9 559	25 140	37 617	33 382	39 537	39 537	39 537	32 049	36 773	39 122
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets											
Surplus/(Deficit) after capital transfers & contributions		11 660	26 864	46 088	63 257	52 412	52 412	52 412	62 049	50 273	47 522
Taxation											
Surplus/(Deficit) after taxation		11 660	26 864	46 088	63 257	52 412	52 412	52 412	62 049	50 273	47 522
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		11 660	26 864	46 088	63 257	52 412	52 412	52 412	62 049	50 273	47 522
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		11 660	26 864	46 088	63 257	52 412	52 412	52 412	62 049	50 273	47 522

Operating Budget

The Municipality has applied a zero-based budget for 2016/17, the operating surplus of R30 million is before the capital expenditure, after the capital expenditure has been taken into account the operating surplus sits at zero.

MSCOA Budgeting

The Municipality has not yet developed the project plan and progress report for the implementation of mSCOA but in a process of developing one since the Project steering committee has been established. The municipality has budgeted for R3 million on mSCOA for 2016/2017 financial year.

KZN281 Mfolozi - Table A1 Budget Summary

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousands										
Financial Performance										
Property rates	5 230	6 012	6 490	5 502	5 502	5 502	5 502	5 805	6 124	6 189
Service charges	240	264	279	313	313	313	313	320	331	352
Investment revenue	623	996	1 560	463	463	463	463	700	538	1 289
Transfers recognised - operational	46 496	63 719	84 975	98 402	98 403	98 402	98 402	132 714	111 352	118 793
Other own revenue	1 050	2 588	11 634	26 937	9 937	9 937	9 937	3 413	14 882	4 256
Total Revenue (excluding capital transfers and contributions)	53 639	73 580	104 938	131 618	114 618	114 618	114 618	142 951	133 227	130 878
Employee costs	17 511	21 555	23 467	31 596	29 461	29 461	29 461	38 188	44 581	46 671
Remuneration of councillors	6 499	7 298	7 919	7 772	7 839	7 839	7 839	8 890	9 859	10 401
Depreciation & asset impairment	3 413	5 742	4 632	1 750	1 750	1 750	1 750	2 270	2 000	1 850
Finance charges	66	177	310	-	-	-	-	-	-	-
Materials and bulk purchases	3 072	2 471	-	-	-	-	-	-	-	-
Transfers and grants	-	4 312	5 810	450	675	675	675	510	510	510
Other expenditure	20 977	30 301	54 328	60 175	62 018	62 018	62 018	63 093	62 777	63 046
Total Expenditure	51 538	71 855	96 466	101 743	101 743	101 743	101 743	112 952	119 727	122 478
Surplus/(Deficit)	2 101	1 724	8 472	29 875	12 875	12 875	12 875	30 000	13 500	8 400
Transfers recognised - capital	9 559	25 140	37 617	33 382	39 537	39 537	39 537	32 049	36 773	39 122
Contributions recognised - capital & contributed	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	11 660	26 864	46 089	63 257	52 412	52 412	52 412	62 049	50 273	47 522
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	11 660	26 864	46 088	63 257	52 412	52 412	52 412	62 049	50 273	47 522
Capital expenditure & funds sources										
Capital expenditure	9 559	25 140	37 617	63 257	52 412	52 412	52 412	62 049	50 273	47 522
Transfers recognised - capital	9 559	25 140	37 617	33 382	39 537	39 537	39 537	32 049	36 773	39 122
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	17 000	-	-	-	17 000	-	-
Internally generated funds	-	-	-	12 875	12 875	12 875	12 875	13 000	13 500	8 400
Total sources of capital funds	9 559	25 140	37 617	63 257	52 412	52 412	52 412	62 049	50 273	47 522
Financial position										
Total current assets	6 618	8 888	15 440	12 314	12 314	12 314	12 314	17 865	16 891	11 746
Total non current assets	72 453	95 622	141 001	86 012	86 012	86 012	86 012	91 723	92 773	98 318
Total current liabilities	23 884	21 365	25 397	9 540	9 540	9 540	9 540	10 170	10 160	10 770
Total non current liabilities	616	1 550	3 361	17 000	(17 000)	-	-	17 000	-	-
Community wealth/Equity	54 571	81 596	127 684	71 786	105 786	88 786	88 786	82 418	99 504	99 294
Cash flows										
Net cash from (used) operating	10 186	26 730	50 907	28 700	37 141	29 825	29 825	45 049	50 273	47 522
Net cash from (used) investing	(9 540)	(29 089)	(50 088)	(44 082)	(27 082)	(27 082)	(27 082)	(62 049)	(50 273)	(47 522)
Net cash from (used) financing	-	1 669	2 194	17 000	(17 000)	-	-	17 000	-	-
Cash/cash equivalents at the year end	846	156	3 188	1 774	(5 167)	4 517	4 517	1 891	1 891	1 891
Cash backing/surplus reconciliation										
Cash and investments available	846	156	3 188	8 074	8 074	8 074	8 074	8 607	7 891	10 891
Application of cash and investments	18 881	12 256	19 803	7 797	5 158	5 916	5 916	912	1 160	9 915
Balance - surplus (shortfall)	(18 035)	(12 101)	(16 615)	277	2 916	2 158	2 158	7 695	6 731	976
Asset management										
Asset register summary (WDV)	18 495	21 035	30 884	44 332	250	44 332	45 349	45 349	49 623	47 872
Depreciation & asset impairment	3 413	5 742	4 632	1 750	1 750	1 750	2 270	2 270	2 000	1 850
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	3 072	2 446	1 190	5 000	(300)	4 700	7 500	7 500	10 000	10 000
Free services										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
Households below minimum service level										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sew erage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

The issues of note on this table are (original budget to new budget):

a) 33% increase in staff employee cost this is because of the disestablishment of Ntambanana Municipality Staff costs now amount to 42% of operating expenditure,

- b) 50% decrease in debt impairment
- c) 11.2% increase in bulk purchase
- d) 29.1% increase in contracted services

The table below shows the relationship between property rates and employee costs since 2012/13 through the duration of the MTREF.

%	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Property rates	5 230	6 012	6 490	5 502	5 805	6 824
Employee costs	24 010	28 853	31 386	36 501	48 439	54 440
% Rates/Ecs	22%	21%	21%	15%	12%	13%

Graphical presentation

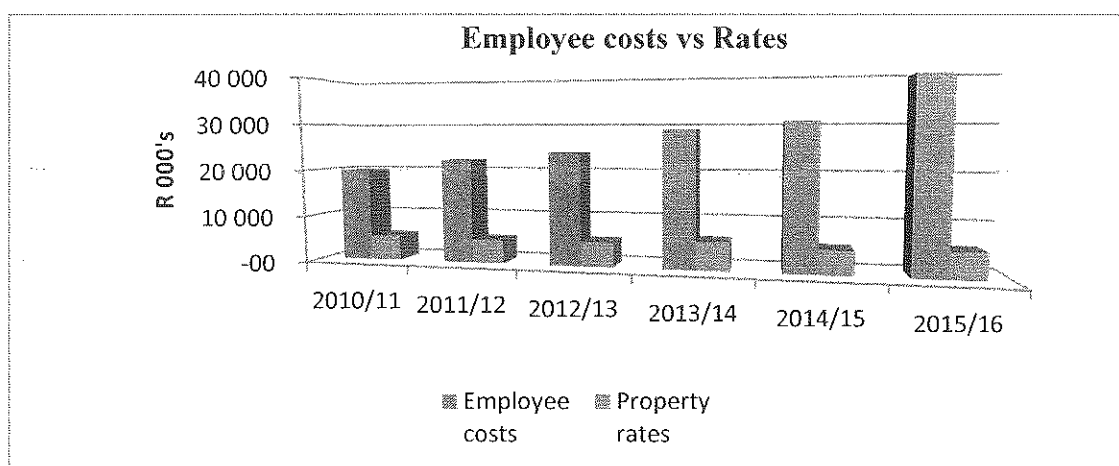


Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding

KZN281 Mfolozi - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - EXECUTIVE AND COUNCIL		-	-	-	-	-	-	-	-	-	-
Vote 2 - FINANCIAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 4 - COMMUNITY SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 5 - TECHNICAL SERVICES		9 559	25 140	37 617	63 257	52 412	52 412	52 412	62 049	50 273	47 522
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	9 559	25 140	37 617	63 257	52 412	52 412	52 412	62 049	50 273	47 522
Single-year expenditure to be appropriated	2										
Vote 1 - EXECUTIVE AND COUNCIL		-	-	-	-	-	-	-	-	-	-
Vote 2 - FINANCIAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 4 - COMMUNITY SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 5 - TECHNICAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 6 - [NAME OF VOTE 6]		-	-	-	-	-	-	-	-	-	-
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Vote		9 559	25 140	37 617	63 257	52 412	52 412	52 412	62 049	50 273	47 522
Capital Expenditure - Standard											
Governance and administration		-	-	-	-	-	-	-	-	-	-
Executive and council		-	-	-	-	-	-	-	-	-	-
Budget and treasury office		-	-	-	-	-	-	-	-	-	-
Corporate services		-	-	-	-	-	-	-	-	-	-
Community and public safety		-	-	-	-	-	-	-	-	-	-
Community and social services		-	-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		-	-	-	-	-	-	-	-	-	-
Planning and development		-	-	-	-	-	-	-	-	-	-
Road transport		-	-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		-	-	-	-	-	-	-	-	-	-
Electricity		-	-	-	-	-	-	-	-	-	-
Water		-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-
Other		9 559	25 140	37 617	63 257	52 412	52 412	52 412	62 049	50 273	47 522
Total Capital Expenditure - Standard	3	9 559	25 140	37 617	63 257	52 412	52 412	52 412	62 049	50 273	47 522
Funded by:											
National Government		9 559	25 140	37 617	33 382	39 537	39 537	39 537	32 049	36 773	39 122
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	9 559	25 140	37 617	33 382	39 537	39 537	39 537	32 049	36 773	39 122
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	17 000	-	-	-	17 000	-	-
Internally generated funds		-	-	-	12 875	12 875	12 875	12 875	-	13 500	8 400
Total Capital Funding	7	9 559	25 140	37 617	63 257	52 412	52 412	52 412	62 049	50 273	47 522

Table A6 – Budgeted Financial Position

The following three tables namely A6, A7 and A8 below are probably the most important in this whole document. As a result all comments have been reserved until after table A8 and refer to all three of the tables.

KZN281 Mfola - Table A6 Budgeted Financial Position

Description		Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
ASSETS												
Current assets												
Cash			846	156	3 188	1 774	1 774	1 774	1 774	1 891	1 891	1 891
Call investment deposits	1		—	—	—	6 300	6 300	6 300	6 300	6 716	6 000	9 000
Consumer debtors	1		4 070	6 568	8 295	—	—	—	—	9 258	9 000	855
Other debtors			1 702	2 164	3 957	4 240	4 240	4 240	4 240			
Current portion of long-term receivables												
Inventory	2											
Total current assets			6 618	8 888	15 440	12 314	12 314	12 314	12 314	17 865	16 891	11 746
Non current assets												
Long-term receivables												
Investments												
Investment property												
Investment in Associate												
Property, plant and equipment	3		72 344	95 545	140 957	85 762	85 762	85 762	85 762	91 423	92 423	97 968
Agricultural												
Biological												
Intangible			109	77	44	250	250	250	250	300	350	350
Other non-current assets												
Total non current assets			72 453	95 622	141 001	86 012	86 012	86 012	86 012	91 723	92 773	98 318
TOTAL ASSETS			79 071	104 510	156 442	98 326	98 326	98 326	98 326	109 588	109 664	110 064
LIABILITIES												
Current liabilities												
Bank overdraft	1											
Borrowing	4		882	1 020	1 702	—	—	—	—	—	—	—
Consumer deposits												
Trade and other payables	4		23 002	20 344	23 694	9 540	9 540	9 540	9 540	10 170	10 160	10 770
Provisions												
Total current liabilities			23 884	21 365	25 397	9 540	9 540	9 540	9 540	10 170	10 160	10 770
Non current liabilities												
Borrowing			616	1 550	3 361	17 000	(17 000)	—	—	17 000	—	—
Provisions			—	—	—	—	—	—	—	—	—	—
Total non current liabilities			616	1 550	3 361	17 000	(17 000)	—	—	17 000	—	—
TOTAL LIABILITIES			24 500	22 914	28 757	26 540	(7 480)	9 540	9 540	27 170	10 160	10 770
NET ASSETS	5		54 571	81 596	127 684	71 786	105 786	88 786	88 786	82 418	99 504	99 294
COMMUNITY WEALTH/EQUITY												
Accumulated Surplus/(Deficit)			54 571	81 596	127 684	71 786	105 786	88 786	88 786	82 418	99 504	99 294
Reserves	4		—	—	—	—	—	—	—	—	—	—
TOTAL COMMUNITY WEALTH/EQUITY	5		54 571	81 596	127 684	71 786	105 786	88 786	88 786	82 418	99 504	99 294

Table A7 - Budgeted Cash Flows

KZN281 Mfolozi - Table A7 Budgeted Cash Flows

RN2017 M1002 - Table A7 Budgeted Cash Flows											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		4 032	5 939	4 786	5 502	5 502	5 502	5 502	5 805	6 124	6 189
Service charges					313	3 130	313	313	320	331	352
Other revenue		623	2 271	1 059	7 648	7 648	7 648	7 648	3 413	14 882	4 256
Government - operating	1	65 191	85 836	117 422	78 020	78 020	78 020	78 020	115 713	111 352	118 793
Government - capital	1				33 382	33 382	33 382	33 382	32 049	36 773	39 122
Interest		-	996	1 560	500	5 000	500	500	700	538	1 289
Dividends									-	-	-
Payments											
Suppliers and employees		(59 595)	(68 312)	(73 910)	(96 216)	(96 216)	(96 216)	(96 216)	(112 441)	(119 217)	(121 968)
Finance charges		(66)		(10)					-	-	-
Transfers and Grants	1				(450)	675	675	675	(510)	(510)	(510)
NET CASH FROM/(USED) OPERATING ACTIVITIES		10 186	26 730	50 907	28 700	37 141	29 825	29 825	45 049	50 273	47 522
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE				145					-	-	-
Decrease (increase) in non-current debtors									-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets		(9 540)	(29 089)	(50 213)	(44 082)	(27 082)	(27 082)	(27 082)	(62 049)	(50 273)	(47 522)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(9 540)	(29 089)	(50 068)	(44 082)	(27 082)	(27 082)	(27 082)	(62 049)	(50 273)	(47 522)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									-	-	-
Borrowing long term/refinancing			1 669	2 194	17 000	(17 000)	-	-	17 000	-	-
Increase (decrease) in consumer deposits									-	-	-
Payments											
Repayment of borrowing									-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	1 669	2 194	17 000	(17 000)	-	-	17 000	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		646	(690)	3 033	1 618	(6 941)	2 743	2 743	(0)	-	0
Cash/cash equivalents at the year begin:	2	200	846	156	156	1 774	1 774	1 774	1 891	1 891	1 891
Cash/cash equivalents at the year end:	2	846	156	3 188	1 774	(5 167)	4 517	4 517	1 891	1 891	1 891

Table A8 - Cash backed reserves/accumulated surplus reconciliation

KZN281 Mfolozi - Table A8 Cash backed reserves/accumulated surplus reconciliation

RZK201 m10102 - Table A6 Cash backed Reserves/accumulated surplus reconciliation

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	846	156	3 188	1 774	(5 167)	4 517	4 517	1 891	1 891	1 891
Other current investments > 90 days		0	-	-	6 300	13 241	3 557	3 557	6 716	6 000	9 000
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		846	156	3 188	8 074	8 074	8 074	8 074	8 607	7 891	10 891
Application of cash and investments											
Unspent conditional transfers		12 958	9 935	4 765	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2										
Other working capital requirements	3	5 923	2 322	15 038	7 797	5 158	5 916	5 916	912	1 160	9 915
Other provisions											
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5										
Total Application of cash and investments:		18 881	12 256	19 803	7 797	5 158	5 916	5 916	912	1 160	9 915
Surplus(shortfall)		(18 035)	(12 101)	(16 615)	277	2 916	2 158	2 158	7 695	6 731	976

The MTREF for last year pointed out the concerns that far more attention needed to be paid to minimising debt at an early stage, that is, before it reaches 90 days. After that point debt recovery, especially on services other than rates, refuse becomes very problematic.

KZN281 Mfolozi - Table A9 Asset Management

Description		Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CAPITAL EXPENDITURE											
Total New Assets		1	9 559	2 514	37 617	63 257	46 257	46 257	62 049	50 273	47 522
Infrastructure - Road transport			-	-	-	-	-	-	-	-	-
Infrastructure - Electricity			-	-	-	-	-	-	-	-	-
Infrastructure - Water			-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation			-	-	-	-	-	-	-	-	-
Infrastructure - Other			-	-	-	-	-	-	-	-	-
Infrastructure			-	-	-	-	-	-	-	-	-
Community			9 559	2 514	37 617	63 257	46 257	46 257	62 049	50 273	47 522
Heritage assets			-	-	-	-	-	-	-	-	-
Investment properties			-	-	-	-	-	-	-	-	-
Other assets			-	-	-	-	-	-	-	-	-
Agricultural Assets			-	-	-	-	-	-	-	-	-
Biological assets			-	-	-	-	-	-	-	-	-
Intangibles			-	-	-	-	-	-	-	-	-
Total Renewal of Existing Assets		2	-	-	-	-	-	-	-	-	-
Infrastructure - Road transport			-	-	-	-	-	-	-	-	-
Infrastructure - Electricity			-	-	-	-	-	-	-	-	-
Infrastructure - Water			-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation			-	-	-	-	-	-	-	-	-
Infrastructure - Other			-	-	-	-	-	-	-	-	-
Infrastructure			-	-	-	-	-	-	-	-	-
Community			-	-	-	-	-	-	-	-	-
Heritage assets			-	-	-	-	-	-	-	-	-
Investment properties			-	-	-	-	-	-	-	-	-
Other assets			-	-	-	-	-	-	-	-	-
Agricultural Assets			-	-	-	-	-	-	-	-	-
Biological assets			-	-	-	-	-	-	-	-	-
Intangibles			-	-	-	-	-	-	-	-	-
Total Capital Expenditure		4	-	-	-	-	-	-	-	-	-
Infrastructure - Road transport			-	-	-	-	-	-	-	-	-
Infrastructure - Electricity			-	-	-	-	-	-	-	-	-
Infrastructure - Water			-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation			-	-	-	-	-	-	-	-	-
Infrastructure - Other			-	-	-	-	-	-	-	-	-
Infrastructure			-	-	-	-	-	-	-	-	-
Community			9 559	2 514	37 617	63 257	46 257	46 257	62 049	50 273	47 522
Heritage assets			-	-	-	-	-	-	-	-	-
Investment properties			-	-	-	-	-	-	-	-	-
Other assets			-	-	-	-	-	-	-	-	-
Agricultural Assets			-	-	-	-	-	-	-	-	-
Biological assets			-	-	-	-	-	-	-	-	-
Intangibles			-	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class		2	9 559	2 514	37 617	63 257	46 257	46 257	62 049	50 273	47 522
ASSET REGISTER SUMMARY - PPE (WDV)		5									
Infrastructure - Road transport			-	-	-	-	-	-	-	-	-
Infrastructure - Electricity			-	-	-	-	-	-	-	-	-
Infrastructure - Water			-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation			-	-	-	-	-	-	-	-	-
Infrastructure - Other			-	-	-	-	-	-	-	-	-
Infrastructure			-	-	-	-	-	-	-	-	-
Community			15 236	17 558	25 140	33 382	-	33 382	32 049	36 773	39 122
Heritage assets			-	-	-	-	-	-	-	-	-
Investment properties			-	-	-	-	-	-	-	-	-
Other assets			3 150	3 400	5 700	10 700	-	10 700	13 000	12 500	8 400
Agricultural Assets			-	-	-	-	-	-	-	-	-
Biological assets			-	-	-	-	-	-	-	-	-
Intangibles			109	77	44	250	250	250	300	350	350
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)		5	18 495	21 035	30 884	44 332	250	44 332	45 349	49 623	47 872
EXPENDITURE OTHER ITEMS											
Depreciation & asset impairment			3 413	5 742	4 632	1 750	1 750	1 750	2 270	2 000	1 850
Repairs and Maintenance by Asset Class		3	3 072	2 446	1 190	5 000	(300)	4 700	7 500	10 000	10 000
Infrastructure - Road transport			-	-	-	-	-	-	-	-	-
Infrastructure - Electricity			-	-	-	-	-	-	-	-	-
Infrastructure - Water			-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation			-	-	-	-	-	-	-	-	-
Infrastructure - Other			3 072	2 446	1 190	5 000	(300)	4 700	7 500	10 000	10 000
Infrastructure			3 072	2 446	1 190	5 000	(300)	4 700	7 500	10 000	10 000
Community			-	-	-	-	-	-	-	-	-
Heritage assets			-	-	-	-	-	-	-	-	-
Investment properties			-	-	-	-	-	-	-	-	-
Other assets		6, 7	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE OTHER ITEMS			6 485	8 188	5 822	6 750	1 450	6 450	9 770	12 000	11 850
Renewal of Existing Assets as % of total capex			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Renewal of Existing Assets as % of deprechn			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M as a % of PPE			4.2%	2.6%	0.8%	5.8%	-0.3%	5.5%	8.2%	10.8%	10.2%
Renewal and R&M as a % of PPE			17.0%	12.0%	4.0%	11.0%	-120.0%	11.0%	17.0%	20.0%	21.0%

PART 2 – SUPPORTING DOCUMENTATION

Section 1 – Overview of Annual Budget Process

Annual planning processes

The CFO has stated in a number of budgets that in an economic downturn coupled with excessive increases for electricity then the financial elements of the IDP get turned on their head and makes the whole IDP and budget process a scarce resource allocation exercise as opposed to a proper planning one.

In recent years the operating budget of uMfolozi has been driven totally on the premise of cash flow and consumer affordability. Throughout South Africa there are municipalities in financial meltdown because of bad budgeting and by extension bad financial management. A bad budget automatically leads to increased non-payment and pressured cash flows.

The cash basis which we follow means that outside of those expenditures we cannot cut, for example salaries, interest and redemption payments, the balance of the budget which is for repairs and maintenance, stores and materials and other expenditures simply to make the municipality function, is zero-based. In this budget repairs and maintenance has again deliberately been prioritised to ensure a higher level of service delivery at the expense of “soft” services.

Budget Process 2016/17

The budget process followed the requirements of the MFMA. A schedule of key deadlines was prepared for tabling in Council by the Mayor prior to the end of August 2015 as required. The draft budget was tabled in Council on 29 March 2016. A period of consultation then followed as per the dictates of Sections 22 and 23 of the MFMA.

At the culmination of the process the Mayor must consider any representations and decide if any amendments should be made to the budget. The Municipality’s budget is prepared on a three year basis. This takes into account the National and Provincial three year allocations to the municipality and to ensure optional financial planning and provide for seamless service delivery. Additionally the National Treasury Budget Circulars request local government to highlight their projected increases over the next three years to give some certainty to customers.

Section 2 – Allocations and Grants made by the Municipality

Section 3 – Councillor Allowances and Employee Benefits

Refer to Annexure 2, ‘Supporting Table SA22: Summary councillor and staff benefits’ and ‘Supporting Table SA23: Salaries, allowances & benefits (political office bearers/councillors/senior managers)’ for further details. The salary increase for 2016/17 for employees as per the Collective Agreement is budgeted at 6%, for Section 56/54A managers a 6% increase was budgeted but still to be taken to Council for approval. The increase of 5% for councillor allowances was catered for.

Section 4 – Monthly Targets for Revenue, Expenditure and Cash Flow

Disclosure on monthly targets for revenue, expenditure and cash flow is made in Annexure 2 in the following Supporting Tables:

Monthly operating budget revenue and expenditure projections

‘Supporting Table SA25: Budgeted monthly revenue and expenditure’ reflects consolidated projections of revenue by source and expenditure by type for the budget year broken down per month for the budget year, and shown in total for the following two years.

Section 5 – Legislation Compliance Status

The disclosure on legislation compliance must provide a brief summary of the status of the implementation of legislation applicable to municipalities, including progress made or delays experienced in implementation.

Municipal Finance Management Act - No 56 of 2003

The MFMA became effective on 1st July 2004. The Act modernises budget and financial management practices within the overall objective of maximising the capacity of municipalities to deliver services. The MFMA covers all aspects of municipal finance including budgeting, supply chain management and financial reporting.

The various sections of the Act are phased in according to the designated financial management capacity of municipalities. uMfolozi has been designated as a medium capacity municipality.

The MFMA is the foundation of the municipal financial management reforms which municipalities are implementing.

The MFMA and the budget

The following explains the budgeting process in terms of the requirements in the MFMA. It is based on National Treasury’s guide to the MFMA.

The budget preparation process

The Mayor must lead the budget preparation process through a coordinated cycle of events that commences at least ten months prior to the start of each financial year.

Overview

The MFMA requires a Council to adopt three-year capital and operating budgets that take into account, and are linked to, the municipality’s current and future development priorities and other finance-related policies (such as those relating to free basic service provision).

These budgets must clearly set out revenue by source and expenditure by vote over three years and must be accompanied by performance objectives for revenue and expenditure, a cash flow statement and any particulars on borrowings, investments, municipal entities, service delivery agreements, grants allocations and details of employment costs.

The budget may be funded only from reasonable estimates of revenue and cash-backed surplus funds from the previous year and borrowings (the latter for capital items only).

Budget preparation timetable

The budget preparation timetable is prepared by senior management and tabled by the Mayor for Council adoption by 31 August (ten months before the commencement of the next budget year).

Budget preparation and review of IDP and policy

The Mayor must co-ordinate the budget preparation process and the review of Council's IDP and budget-related policy, with the assistance of the municipal manager.

The Mayor must ensure that the IDP review forms an integral part of the budget process and that any changes to strategic priorities as contained in the IDP document have realistic projections of revenue and expenditure. In developing the budget, the management must take into account national and provincial budgets, the national fiscal and macro-economic policy and other relevant agreements or Acts of Parliament. The Mayor must consult with the relevant district Council and all other local municipalities in that district as well as the relevant provincial treasury and the National Treasury when preparing the budget, and must provide the National Treasury and other government departments with certain information on request.

This process of development should ideally occur between August and November, so that draft consolidated three-year budget proposals, IDP amendments and policies can be made available during December and January. This allows time during January, February and March for preliminary consultation and discussion on the draft budget.

Tabling of the Final Budget

The initial draft budget must be tabled by the Mayor before Council for review by 26 May 2016. Publication of the final budget. Once tabled at Council, the Municipal Manager must make public the appropriate budget documentation and submit it to National Treasury and the relevant provincial treasury and any other government departments as required. At this time, the local community must be invited to submit representations on what is contained in the budget.

Opportunity to comment on draft budget

When the draft budget is tabled, Council must consider the views of the local community, the National Treasury and the relevant provincial treasury and other municipalities and government departments that may have made submissions on the budget.

Opportunity for revisions to draft budget

After considering all views and submissions, Council must provide an opportunity for the Mayor to respond to the submissions received and if necessary to revise the budget and table amendments for Council's consideration.

Following the tabling of the draft budget at the end of March, the months of April and May should be used to accommodate public and government comment and to make any revisions that may be necessary. This may take the form of public hearings, Council debates, formal or informal

delegations to the National Treasury, provincial treasury and other municipalities, or any other consultative forums designed to address stakeholder priorities.

Adoption of the annual budget

The Council must consider the approval of the budget by 31 May and must formally adopt the budget by 30 June. This provides a 30-day window for Council to revise the budget several times before its final approval.

If a Council fails to approve its budget at its first meeting, it must reconsider it, or an amended draft, again within seven days and it must continue to do so until it is finally approved – before 1 July.

Once approved, the Municipal Manager must place the budget on the municipality's website within five days.

Budget Implementation

Implementation management – the Service Delivery and Budget Implementation Plan (SDBIP)

The Municipal Manager must within fourteen days of the approval of the annual budget (by 14 July at the latest) submit to the Mayor for approval a draft SDBIP and draft annual performance agreements for all pertinent senior staff.

An SDBIP is a detailed plan for implementing the delivery of municipal services contemplated in the annual budget and should indicate monthly revenue and expenditure projections and quarterly service delivery targets and performance indicators.

The Mayor must approve the Service Delivery Budget and Implementation Plan within 28 days of the approval of the annual budget (by 28 July at the latest).

This plan must then be monitored by the Mayor and reported on to Council on a regular basis.

Managing the implementation process

The municipal manager is responsible for implementation of the budget and must take steps to ensure that all spending is in accordance with the budget and that revenue and expenditure are properly monitored.

Generally, Councils may incur expenditure only if it is in terms of the budget, within the limits of the amounts appropriated against each budget vote – and in the case of capital expenditure, only if Council has approved the project.

Expenditure incurred outside of these parameters may be considered to be unauthorised or, in some cases, irregular or fruitless and wasteful. Unauthorised expenditure must be reported and may result in criminal proceedings.

Revision of budget estimates – the adjustments budget

It may be necessary on occasion for a Council to consider a revision of its original budget, owing to material and significant changes in revenue collections, expenditure patterns, or forecasts thereof for the remainder of the financial year.

In such cases a municipality may adopt an adjustments budget, prepared by the municipal manager and submitted to the Mayor for consideration and tabling at Council for adoption.

The adjustments budget must contain certain prescribed information, it may not result in further increases in taxes and tariffs and it must contain appropriate justifications and supporting material when approved by Council.

Requirements of the MFMA relating to the contents of annual budgets and supporting documentation

Section 17 of the MFMA stipulates that an annual budget of a municipality must be a schedule in the prescribed format and sets out what must be included in that format. The various tables detailed in Section 4 and those additionally attached comply with the disclosure requirements.

Other Legislation

In addition to the MFMA, the following legislation also influences Municipality budgeting; The Division of Revenue Act 2016 and Provincial Budget Announcements Three year national allocations to local government are published per municipality each year in the Division of Revenue Act. The Act places duties on municipalities in addition to the requirements of the MFMA, specifically with regard to reporting obligations.

Allocations to the Municipality from Provincial Government are announced and published in the Provincial budget. Section 18 of the MFMA states that annual budgets may only be funded from reasonably anticipated revenues to be collected. The provision in the budget for allocations from National and Provincial Government should reflect the allocations announced in the DORA or in the relevant Provincial Gazette.

The Municipal Systems Act - No 32 of 2000 and Municipal Systems

Amendment Act no 44 of 2003

One of the key objectives of the Municipal Systems Act is to ensure financially and economically viable communities. The requirements of the Act link closely to those of the MFMA. In particular, the following requirements need to be taken into consideration in the budgeting process;

- ☐ Chapters 4 and 5 relating to community participation and the requirements for the Integrated Development Planning process. Chapter 6 relates to performance management which links with the requirements for the budget to contain measurable performance objectives and quarterly performance targets in the Service Delivery and Budget Implementation Plan.
- ☐ Chapter 8 relates to the requirement to produce a tariff policy

Section 5 Budget Related Policies

The budget related policies has been drafted and will be workshop to Council before 30 June 2016. This was also incorporated in the Council agenda on the 31 May 2016 and Councillors noted that item on budget and the budget was approved on that date.

Section 6 – Municipal Manager’s Quality Certification

An annual budget and supporting documentation must be covered by a quality certificate in the format as per page 68 of the Government Gazette 32141 - 17 April 2009.

QUALITY CERTIFICATE

I, Mr KE Gamede, Municipal Manager of uMfolozi Local Municipality, hereby certify that the Final Annual Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the Annual Budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Signature:.....

Date:.....